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CONSERVATIVES FOR RESPONSIBLE STEWARDSHIP

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BEFORE THE ARIZONA CORPORATION COMMISSION

March 3, 2022

COMMISSIONERS

LEA MARQUEZ PETERSON, CHAIRMAN
SANDRA D. KENNEDY
JIM O'CONNER
ANNA TOVAR
JUSTIN OLSON

Arizona Corporation Commission

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AZ CORP COMMISSION
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RE: SRP Proposed Expansion of Coolidge Generating Station

Dear Commissioners:

Conservatives for Responsible Stewardship (CRS) is a national grassroots organization of stewardship-minded conservatives, with more than 800 of its 20,000 members located in Arizona, opposes the issuance of a Certificate of Environmental Compatibility for the Salt River Project's (SRP) addition of 16 new natural gas carbine units at its Coolidge Generating Station.

Current energy market realities make any new gas generation financially burdensome for SRP ratepayers—both due to the high and unpredictable price of gas, and creation of costly stranded asset problems going forward.

Natural gas is a globally traded commodity. As such, its price can fluctuate wildly and spike due to a myriad of events around the world, including the current Russian [invasion of Ukraine](#).

The Energy Information Agency (EIA) projected—before recent global events spiked prices—that natural gas prices would have more than doubled by 2030 anyway.

At roughly \$5.00 per MMBtu, the price of natural gas today is more than double what it was just two years ago.

Furthermore, the future of natural gas pricing in the Arizona and across the U.S. has been forever altered by Russia's invasion of Ukraine, and Europe's newfound determination to be free of its longstanding dependence on Russian gas.

Much of that Russian gas will be replaced with liquefied natural gas (LNG) from this country, which will increase global demand for U.S. gas and drive domestic natural gas prices much higher.

Even at half the current price (\$2.50 per MMBtu), natural gas cannot compete on price with solar for electricity generation. New solar generation paired with storage is selling electricity for less than \$25 per megawatt hour (MWh), while electricity generated from natural gas plants has been—before the recent spike—selling for between \$44 and \$73 per MWh.

By contrast, the cost of electricity generated by new solar plus storage, which ranges between \$15 and \$25 per MWh, is projected to decline even further over the next decade.

Why would the ACC approve a plan that is guaranteed to saddle ratepayers with higher electricity prices for decades?

A simple review of energy news from around the country shows that ratepayers are already suffering when utilities are too heavily dependent on natural gas for electricity generation. A [recent story](#) from the Fox News outlet in Tampa Bay, Florida provides a case in point, saying:

The industry has grappled for months with natural gas prices, prompting Tampa Electric, Duke and FPL to return to the commission seeking mid-course corrections. Tampa Electric [sought to pass along about \\$165 million in additional fuel costs](#).

Furthermore, you will not find an independent energy market analyst that projects natural gas generated electricity as ever being price competitive with solar generated electricity (paired with storage) going forward.

Anyone who somehow still believes that natural gas generation will positively affect ratepayer utility bills is ignoring literally every signal the market has been sending for the past five years.

The commission has obviously recognized the liabilities of natural gas generation in the past when it imposed, and extended, a natural gas moratorium to "...protect ratepayers from potential unnecessary capital improvements in the near future and stranded asset costs in the long-term..."

The market realities that were only beginning to come into focus back then are patently obvious today. So obvious, in fact, that approval of the SRP Coolidge Expansion Project by the ACC would be the worst slap in the face to Arizona ratepayers in the commission's history, and a total dereliction of its duty to them.

It is truly hard to understand SRP's rationale for this market-defying and logic-defying proposal, but it is telling that this monopoly utility failed to issue a competitive all-source bid for this project.

Doing so helps ensure that a utility is investing in the most economical option(s) for SRP customers. According to FAQs about the project on its SRP's website, the company points to lack of experience with battery technology and cloudiness as concerns that steered it away from solar and storage.

Cloudiness? Arizona is the sunniest state in America with roughly 300 sunny days per year.

It seems obvious that SRP shaped its Coolidge expansion decisions to meet internal biases and motives that have nothing to do with providing ratepayers with the cheapest electricity.

Approving this expansion will saddle ratepayers with huge utility bills for decades, and deny them the clear economic benefits of cheaper sources of power generation, such as solar+storage.

In a typical free market, electricity suppliers would compete on price and choose the least expensive power source, but as SRP is demonstrating, this is often not the case with monopoly utilities that have a captive customer base.

Please reject SRP's Coolidge Expansion Project in its current form and insist that the company thoroughly explore options that do not rely so heavily on natural gas.

Thank you.

David Jenkins
President
Conservatives for Responsible Stewardship